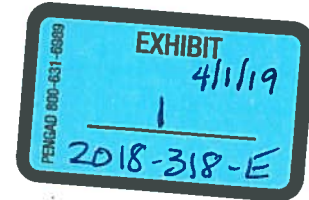


March 27, 2019

Mr. James Ward, President
Florence County Farm Bureau
102 Redbud Lane
Florence, South Carolina 29504



Dear Mr. Ward,

Thank you for your letter of March 13 to Duke Energy Corporation CEO Lynn Good and for your work to support the farmers of Florence County and South Carolina. Mrs. Good has asked me to respond to the questions you raise in your letter.

At Duke Energy, we work to keep costs as low as possible for our customers and to avoid an increase to customer bills whenever possible, and we aggressively manage costs to delay the need to increase rates.

We are seeking an increase for Duke Energy Progress customers now because we have made significant investments in recent years to build a smarter energy infrastructure to meet the needs of a growing customer base, and to comply with rigid environmental requirements at the state and federal level. These investments help provide affordable, reliable and increasingly clean energy to customers, and are the main reason for the proposed increase.

I wanted to make sure you were aware that we are listening to our customers. To that end, instead of the basic facilities charge applicable to Schedule (SGS) of \$29 per month that the company initially requested, the company has agreed to adopt the Office of Regulatory Staff's proposal of \$12.34 per month for SGS customers, which is used for billing the majority of farm accounts.

Though we've agreed to the lower charge in this case, it is also important for you to understand how the basic facilities charge works and what our original request represented.

Part of the proposed rate adjustment is to bring the fixed basic facilities charge closer to representing the true costs of serving our South Carolina customers. This charge is intended to recover the cost of the facilities the company has installed to be able to deliver electricity to a customer's home or business and render and process a monthly bill.

These costs do not vary with usage. Therefore, it makes sense that the costs of these facilities are recovered through a fixed charge. Duke Energy is asking to increase this charge because historically the basic facilities charge hasn't recovered all of the fixed costs incurred to deliver electricity. This causes higher use customers to pay costs that should be recovered from lower use customers. The requested basic facilities charge simply accurately reflects the cost to serve every customer, ensuring all customers pay their fair share to access and use the electric grid.

It's important to note that the higher basic facilities charge results in a lower price per- kilowatt-hour. An average customer shouldn't see a change in their bill - they will just be paying more through the basic facilities charge and less through the energy charge. Each rate component is adjusted separately to achieve the

revenue adjustment sought by the company. A smaller change in the basic facilities charge results in a larger change in other rates.

You posed two specific questions in your letter:

- 1) How many agriculture meters are there in Duke Energy Progress territory that will be affected by the proposed new base rate meter charge?
 - Duke Energy Progress served 513 agricultural-related accounts in South Carolina as of December 2018 with an average monthly usage of 3,510 kilowatt hours (kWh).
- 2) What is the amount of income that will be generated from agriculture enterprises as a result of the fee increase?
 - Annual revenues at rates in effect in November 2018 when the Duke Energy Progress rate increase request was filed were \$2,419,445. Annual revenue at proposed rates would be \$2,598,823, an increase of \$179,378 or 7.4 percent, assuming the company's request is approved without change.
 - Overall for agricultural customers, revenue received under the basic facilities charge recovers only 3 percent of the total bill. If the company's recommended basic facilities charge request is approved, it will recover 7 percent of the monthly bill. Under the Office of Regulatory Staff's proposal, it will recover 4 percent of the monthly bill.
 - The above-mentioned increase represents both the fixed fee, or basic facilities charge, as well as the variable component which is charged by usage. As mentioned before, if the Public Service Commission of South Carolina approves a higher basic facilities charge, then it will result in a lower variable usage fee. If the commission approves a lower basic facilities charge, then it will result in a higher variable usage charge.

As you noted in your letter, the next important milestone in the Duke Energy Progress rate request takes place April 1 in Florence and April 2 in Sumter when the commissioners will hold public night hearings to hear directly from customers. Our South Carolina team and leadership will be attending each of these hearings to listen to our customers. Our team will consist of subject matter experts in a number of fields that can help answer questions customers might have then and there.

Thank you again for your letter, and for your service to the men and women who are critical to driving the economy of South Carolina.

Sincerely,



Kodwo Ghartey-Tagoe
South Carolina State President

CC: Lynn Good, President and CEO

Waymon Mumford
District 7
Chairman

Willard Dorriety, Jr.
District 9
Vice-Chairman

Mitchell Kirby
District 4
Secretary/Chaplain

K. G. Rusty Smith, Jr.
County Administrator

Connie Y. Haselden
Clerk to Council



FLORENCE COUNTY COUNCIL

Council Members

Alphonso Bradley
District 3

James T. Schofield
District 8

Roger M. Poston
District 2

Kent C. Caudle
District 5

Jason M. Springs
District 1

H. Steven DeBerry, IV
District 6

February 21, 2019

The Honorable Henry McMaster
Governor of South Carolina
1100 Gervais Street
Columbia, South Carolina 29201

Dear Governor McMaster:

On behalf of the citizens of Florence County and the Great State of South Carolina, I would like to take this opportunity to respectfully request your thoughtful consideration of a matter that is of utmost importance to the future viability of our region.

The farmers in Florence County and the Pee Dee region have experienced catastrophic events in the last three out of four years, such as the flood of 2015, Hurricane Matthew in 2016 and hurricanes Florence and Michael in 2018. These devastating events precipitate the need for prudent deliberation and careful scrutiny of all resources available for the recovery of our ag community.

As you are well aware, agriculture is extremely important to our region and the State. Based on an assessment report from Clemson Cooperative Extension (a copy of which is enclosed), the estimated total losses to the farm community due to loss of yield is nearly \$124 million. This report indicates that the largest estimated loss of \$24 million is in Florence County.

Additionally, the November crop production report for South Carolina published by NASS indicates an increase of 26,000 acres abandoned since September's report, an estimated loss of \$17.8 million resulting in a combined loss of \$142 million.

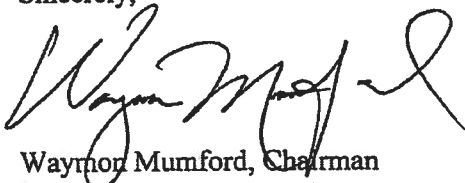
A major impact of the hurricanes that is still unknown is quality losses which affect the price received and the yield due to delayed harvest, caused by the hurricanes and flooding. According to the Florence County Farm Bureau, there are farmers holding damaged crops and these farmers have experienced significant yield losses placing them in financial hardship. If you assume a 10% loss for the impacted crops, the result would be an estimated \$60 million. If you combine this loss with the \$142 million, this will result in an estimated total loss of \$202 million for agriculture in South Carolina. This does not include any losses experienced by our forestry or infrastructure, which could push the total loss closer to \$205 million.

Letter to Governor McMaster
February 22, 2019
Page 2.

In anticipation of pending HUD allocations, please consider all options that become available to the citizens of our great State. It is my understanding that Congress has or will appropriate funding for disaster relief. I would encourage you to consider the plight of the farmer and release any additional money to agriculture so that farmers can survive these catastrophic events and help to sustain our economy.

Thank you for your sagacious leadership and contemplation of this very worthwhile endeavor.

Sincerely,

A handwritten signature in black ink, appearing to read 'Waymon Mumford', with a stylized flourish at the end.

Waymon Mumford, Chairman
Florence County Council

Enclosure

Cc: U. S. Congressional Delegation
Florence County Legislative Delegation
Florence County Council Members
K.G. Rusty Smith, Jr., County Administrator
Mr. Harry Ott, South Carolina Farm Bureau Federation President, CEO
The Honorable Hugh E. Weathers, SC Department of Agriculture, Commissioner



Florence County Farm Bureau
102 Redbud Lane
Florence, South Carolina 29504
Telephone 843.669.3173 • Fax 843.669.3366

March 13, 2019

Mrs. Lynn Good, President and CEO
Duke Energy
526 South Church Street
Charlotte, NC 28202

- Certified Letter -

Dear Mrs. Good,

Florence County farmers are concerned to hear about your request for rate increases and additional meter charges. Florence County Farm Bureau would like to know how many agriculture meters there are in Duke Energy Progress territory that will be affected by the new base rate meter charge. We would also like to know the amount of income that will be generated from agricultural enterprises as a result of the fee increase. A farming operation will typically have many meters, quite unlike the standard home where there is only one meter. We do ask that you provide a prompt response since the Public Service Commission will be meeting on April 1, 2019.

For three out of four years, farmers in the Pee Dee Region and much of the state, have experienced devastating harvest conditions. These included the flood of 2015, Hurricane Matthew in 2016, and more recently the two hurricanes in 2018, Florence and Michael. As if the two hurricanes were not bad enough, the rain through the 2018 harvest season forced farmers to leave crops in the fields with no hope of harvesting. Florence County Farmers have experienced 23.8 million dollars in economic losses while estimates show that the Pee Dee Region has experienced over 118 million dollars in economic losses for the 2018 growing season. This results in 2018 being one of the worst production years on record for farmers in our region.

As a farmer organization that represents all of agriculture, we are concerned that the fee that you are requesting will have a detrimental impact on our farmers, and when you consider the state of the rural economy, the timing of this increase is particularly harmful.

Thank you for your consideration in this matter.

Sincerely,

James Anthony Ward, President
Florence County Farm Bureau

CC: Chairman Comer H. Randall, SC Public Service Commission
South Carolina Public Service Commission Commissioners:
Commissioner, G. O'Neal Hamilton
Commissioner, John E. Howard
Commissioner, Thomas J. Ervin
Commissioner, Justin T. Williams

South Carolina Public Service Commission Commissioners (continued):

Commissioner, Swain E. Whitfield

Commissioner, Elliott F. Elam, Jr.

Florence County Council:

Mr. Jason Springs,

Mr. Roger M. Poston

Mr. Alphonso Bradley

Chaplain Mitchell Kirby

Mr. Kent C. Caudle

Mr. H. Steven DeBerry, IV

Reverend Waymon Mumford

Mr. James Schofield

Mr. Willard Dorriety, Jr.

Florence County Senate and House Delegation:

Senator Hugh K. Leatherman, Sr.

Senator Kevin L. Johnson

Senator Ronnie A. Sabb

Senator Kent M. Williams

Representative Terry Alexander

Representative Wallace H. Jordan

Representative Roger K. Kirby

Representative Phillip D. Lowe

Representative Robert Q. Williams

Representative Russell L. Ott

Commissioner Hugh Weathers, South Carolina Department of Agriculture

President Harry Ott, South Carolina Farm Bureau

Mr. Gary Spires, Director, Government Relations, South Carolina Farm Bureau